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EXTRAORDINARY PART II—Section 2 PUBLISHED BY AUTHORITY

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LOK SABHA

The following Bill was introduced in Lok Sabha on the 28th February, 1959:—

*BILL No. 17 OF 1959

A Bill to give effect to the financial proposals of the Central Government for the financial year 1959-60.

BE it enacted by Parliament in the Tenth Year of the Republic of India as follows:—

1. (1) This Act may be called the Finance Act, 1959.

Short title
and com-
mencement.

(2) Save as otherwise provided in this Act, sections 3 to 18 inclusive and sections 20 to 27 inclusive shall be deemed to have come into force on the first day of April, 1959.

2. (1) Subject to the provisions of sub-sections (2) and (3), for the year beginning on the 1st day of April, 1959,—

Income-tax
and super-
tax.

(a) income-tax shall be charged at the rates specified in Part I of the First Schedule, and, in the cases to which Paragraphs A, B and C of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge on unearned income, calculated in either case in the manner provided therein; and

(b) super-tax shall, for the purposes of section 55 of the Indian Income-tax Act, 1922 (hereinafter referred to as the

11 of 1922.

*The President has, in pursuance of clauses (1) and (3) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to the Lok Sabha, the introduction and consideration of the Bill.

(185)

Income-tax Act), be charged at the rates specified in Part II of the First Schedule, and, in the cases to which Paragraphs A, B and C of that Part apply, shall be increased by a surcharge for purposes of the Union and a special surcharge on unearned income, calculated in either case in the manner provided therein.

(2) In making any assessment for the year ending on the 31st day of March, 1960,—

(a) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" or any income chargeable under the head "Interest on Securities" or any income from dividends in respect of which by virtue of section 49B of the Income-tax Act he is deemed himself to have paid the income-tax imposed under that Act, the income-tax payable by the assessee on that part of his total income which consists of such inclusions shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Finance Act, 1958, on his total income the same proportion as the amount of such inclusions bears to his total income;

II of 1958.

(b) where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries" on which super-tax has been or might have been deducted under the provisions of sub-section (2) of section 18 of the Income-tax Act, the super-tax payable by the assessee on that portion of his total income which consists of such inclusion shall be an amount bearing to the total amount of super-tax payable according to the rates applicable under the operation of the Finance Act, 1958, on his total income the same proportion as the amount of such inclusion bears to his total income.

II of 1958.

(3) In cases to which section 17 of the Income-tax Act applies, the tax chargeable shall be determined as provided in that section, and with reference to the rates imposed by sub-section (1).

(4) In cases in which tax has to be deducted under section 18 at the prescribed rates, the deduction shall be made at the rates specified in Part III of the First Schedule.

(5) In the case of a company liable to make payments of tax under section 18A of the Income-tax Act during the financial year beginning on the 1st day of April, 1959, the provisions of that section shall have effect as if the references to the rates of income-tax and super-tax in force for that financial year were references respectively—

(a) to a rate of 20 per cent. for income-tax; and

(b) to a rate of—

(i) 25 per cent. for super-tax in the case of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India; and

(ii) 43 per cent. for super-tax in the case of any other company.

(6) For the purposes of this section, and of the rates of tax imposed thereby, the expression "total income" means total income as determined for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the Income-tax Act, and the expression "earned income" has the meaning assigned to it in clause (6AA) of section 2 of that Act.

3. In section 4 of the Income-tax Act,—

(i) in sub-section (1),—

(a) the third proviso shall be omitted;

(b) after *Explanation 2*, the following *Explanation* shall be inserted, namely:—

"*Explanation 2A*.—Income which would be chargeable under the head "Salaries" if payable in the taxable territories but which is paid without the taxable territories by the Government to a citizen of India for rendering service without the taxable territories shall be deemed to accrue or arise in the taxable territories.";

(ii) in sub-section (3), for clause (x), the following clauses shall be substituted, namely:—

"(x) Any income received—

(a) by the Ruler of an Indian State as his privy purse under article 291 of the Constitution;

(b) by any ambassador, high commissioner, envoy, minister, *charge d'affaires*, commissioner, counsellor or the secretary, adviser or attaché of an embassy, high commission, legation or commission of a foreign State as remuneration from such State for service in such capacity;

(c) by a *consul de carrière*, whether called a consul-general, consul, vice-consul, consular agent, pro-consul or by any other name, of a foreign State as remuneration from such State for service in such capacity;

(d) by a trade commissioner or other official representative in India of the Government of a foreign State (not holding office as such in an honorary capacity) as his remuneration, if the remuneration of the corresponding officials, if any, of the Government resident for similar purposes in the country concerned enjoys a similar exemption in that country;

(e) by a member of the staff of any of the officials referred to in clause (b) or clause (c) or clause (d) as his remuneration, if the member—

(i) is a subject of the country represented;

(ii) is not engaged in any business, profession, vocation or employment in India otherwise than as a member of such staff; and further, where the individual is a member of the staff of any official referred to in clause (d), if the country represented has made corresponding provisions for similar exemptions in the case of members of the staff of the corresponding officials of the Government.

(xa) Any allowances or perquisites paid or allowed as such without the taxable territories by the Government to a citizen of India for rendering service without the taxable territories.”

Amendment
of section
1C.

4. In section 10 of the Income-tax Act,—

(i) after sub-section (2A), the following sub-section shall be inserted, namely:—

“(2AA) For the purpose of computing the profits or gains of any business consisting of the prospecting for or extraction or production of mineral oils in relation to which the Central Government has entered into an agreement with any person for the association or participation in such business of the Central Government (which agreement has been laid on the Table of each House of Parliament), there shall be made in lieu of, or in addition to, the allowances admissible under sub-section (2), such allowances as are specified in the agreement on account of—

(a) expenditure by way of infructuous or abortive exploration expenses in respect of any area surrendered prior to the beginning of commercial production by the
assessee,

(b) expenditure incurred after the beginning of commercial production by the assessee in respect of drilling or exploration activities, where the expenditure does not result in the creation of any tangible asset, and

(c) the depletion of mineral oil in the mining area in respect of the assessment year relevant to the previous year in which commercial production is begun and for such succeeding year or years as may be specified in the agreement,

the allowances being computed in the manner and allowed to the extent specified therein:

Provided that the provisions of section 15C shall have no application in any case where any allowance is made under this sub-section.”;

(ii) sub-sections (2B) and (2C) shall be omitted.

5. In section 12 of the Income-tax Act, for sub-section (1A), the following sub-section shall be substituted, namely:— Amendment
of section 12.

“(1A) Income from other sources shall include dividends, and any dividend declared by a company or distributed or paid by it within the meaning of sub-clause (a) or sub-clause (b) or sub-clause (c) or sub-clause (d) or sub-clause (e) of clause (6A) of section 2, shall be deemed to be the income of the previous year in which it is so declared, distributed or paid, as the case may be.”.

6. In section 15C of the Income-tax Act, in clause (i) of sub-section (2), for the words and figures “used in a business which was being carried on before the 1st day of April, 1948”, the words “previously used in any other business” shall be substituted, and shall be deemed always to have been substituted. Amendment
of section
15C.

7. In section 16 of the Income-tax Act, sub-section (2) shall be omitted. Amendment
of section
16.

8. In section 17 of the Income-tax Act,—

(i) after sub-section (1), the following sub-section shall be inserted, namely:— Amendment
of section
17.

“(1A) Notwithstanding anything contained in sub-section (1), where a citizen of India, not resident in the taxable territories, is in receipt of salary from the Government for rendering service without the taxable territories, the tax,

including super-tax payable by him on his total income for the assessment years commencing with the assessment year 1960-61 shall be determined with reference to his total world income in the manner specified in the first proviso to sub-section (1).”,

(u) for sub-section (7), the following sub-section shall be substituted, namely —

“(7) Where the total income of a company includes any income chargeable under the head “Capital Gains”, the super-tax payable by it shall be the aggregate of the tax calculated—

(i) at the rate of ten per cent on the amount of Capital Gains so included, and

(ii) at the rate applicable to the company on its total income as reduced by the amount of the Capital Gains, had such reduced income been its total income”.

Amendment
of section
18

9. In section 18 of the Income-tax Act,—

(i) in sub-section (2B), for the words “to a person not resident in the taxable territories shall, at the time of payment, deduct income-tax at the maximum rate and also super-tax on the estimated income of the assessee under this head in accordance with the provisions of clause (b) of sub-section (1) of section 17”, the words “to a person not resident in the taxable territories, not being a person referred to in sub-section (1A) of section 17, shall, at the time of payment, deduct income-tax and super-tax at the prescribed rates on the estimated income of the assessee under this head” shall be substituted;

(ii) for sub-sections (3) and (3A), the following sub-section shall be substituted, namely —

“(3) The person responsible for paying any income chargeable under the head “Interest on Securities” shall, at the time of payment, deduct income-tax and super-tax at the prescribed rates on the amount of interest payable :

Provided that where, in the case of any recipient, not being a company, the Income-tax Officer gives a certificate in writing (which certificate he shall give in every proper case on the application of the assessee) that to the best of his belief the total income or the total world income of the recipient will be less than the minimum liable to income-tax or will be liable to income-tax at a rate which is less than

the prescribed rate, the person responsible for paying the interest to such recipient shall, until such certificate is cancelled by the Income-tax Officer, pay the interest without deduction or deduct the tax at such lesser rate, as the case may be:

Provided further that where the recipient is not a company, the proviso to sub-section (2B) shall apply to the deduction of super-tax under this sub-section as it applies to the deduction of super-tax under sub-section (2B).";

(iii) for sub-section (3B), the following sub-section shall be substituted, namely:—

"(3B) Any person responsible for paying to a person, not being a company, who is not resident in the taxable territories or to a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India, any sum, not being "Interest on Securities", or any other sum, not being dividends, chargeable under the provisions of this Act, shall, at the time of payment, unless he is himself liable to pay any income-tax and super-tax thereon as an agent, deduct income-tax and super-tax at the prescribed rates:

Provided that where the recipient is not a company, the proviso to sub-section (2B) shall apply to the deduction of income-tax and super-tax under this sub-section as it applies to the deduction of income-tax and super-tax under sub-section (2B):

Provided further that nothing in this sub-section shall apply to any payment made in the course of transactions in respect of which a person responsible for payment is deemed under the first proviso to section 43 not to be an agent of the recipient.";

(iv) for sub-section (3D), the following sub-sections shall be substituted, namely:—

"(3D) The principal officer of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India shall, before issuing any cheque or warrant in respect of any dividend or before making any distribution or payment to a

shareholder of any dividend within the meaning of sub-clause (a) or sub-clause (b) or sub-clause (c) or sub-clause (d) or sub-clause (e) of clause (6A) of section 2, deduct on the amount of such dividend, income-tax and super-tax at the prescribed rates:

Provided that where, in the case of any shareholder, not being a company, the Income-tax Officer gives a certificate in writing (which certificate he shall give only in accordance with the rules made in this behalf) that to the best of his belief the total income or the total world income of the shareholder will be less than the minimum liable to income-tax, the principal officer responsible for paying any dividend to such shareholder shall, until such certificate is cancelled by the Income-tax Officer, pay the dividend without deduction.

(3E) Where any share held by a shareholder carries as respects dividends a preferential right to be paid a fixed amount or an amount calculated at a fixed rate free of tax, then, notwithstanding such preferential right, tax shall be deductible under sub-section (3D), and for the purposes of such deduction the amount payable to the shareholder as dividend shall be taken to be such amount as would, after deduction of a sum equal to thirty per cent. thereof, be equal to the net amount of dividend receivable by the shareholder free of tax.

(3F) Where the principal officer of a company considers that by reason of the provisions of section 15C no income-tax or super-tax will be payable by the recipient on the whole or any portion of the dividend referred to in sub-section (4) of that section he may, before paying the dividend to the shareholder, or issuing any cheque or warrant in respect thereof, make an application to the Income-tax Officer to determine the appropriate proportion of the dividend on which income-tax or super-tax is not payable by the recipient under the provisions of section 15C; and on such determination by the Income-tax Officer, no income-tax or super-tax shall be deducted on such proportionate amount.”;

(v) in sub-section (5),—

(a) the words, brackets and figures “and any sum by which a dividend has been increased under sub-section (2)

of section 16" and the words and figures "or section 20, as the case may be" shall be omitted;

(b) in the third proviso, the words, brackets and figures "or in respect of any sum by which the dividend has been increased under sub-section (2) of section 16," shall be omitted;

(vi) in sub-section (7), for the words "If any such person does not deduct or after deducting fails to pay the tax as required by or under this section, he, and in the cases specified in sub-section (3D) the company of which he is the principal officer", the following words shall be substituted, namely:—

"If any person or the principal officer of a company does not deduct tax or after deducting fails to pay the sums deducted as required by or under this section, he, or the company, as the case may be,";

(vii) in sub-section (9),—

(a) the brackets, figure and letter "(3A)," shall be omitted;

(b) for the words "from which tax has been deducted, furnish to the person to whom such payment is made", the following words shall be substituted, namely:—

"or, as the case may be, at the time of issue of a cheque or warrant for payment of any dividend to a shareholder furnish to the person to whom such payment is made or the cheque or warrant is issued";

(viii) after sub-section (9), the following sub-sections shall be inserted, namely:—

"(10) Notwithstanding anything contained in this section, no deduction of tax shall be made by the principal officer of any company on any dividend payable to the Government in respect of any shares owned by it or in which it has full beneficial interest.

(11) For the purposes of deduction of tax under sub-sections (2B), (3), (3B) and (3D) the expression "prescribed rates" means the rates prescribed in this behalf by the Finance Act of the year in which such deduction is required to be made."

10. Section 20 of the Income-tax Act shall be omitted.

Omission of
section 20.

Amendment
of section
23A.

11. In section 23A of the Income-tax Act, in *Explanation 2*, for the figures "45%" and "60%", in both the places where they occur, the figures "50%" and "65%" shall respectively be substituted.

Amendment
of section
23B.

12. In section 23B of the Income-tax Act, in sub-section (6), the words "or deemed to have been paid" shall be omitted.

Amendment
of section 35

13. In section 35 of the Income-tax Act,—

(i) to sub-section (9), the following proviso shall be added, namely:—

"Provided that this sub-section shall not apply in relation to dividends payable by a company in respect of any previous year relevant to any assessment year commencing on or after the 1st day of April, 1960.";

(ii) sub-section (10) shall be omitted.

Substitution
of new sec-
tion for sec-
tion 49B.

Relief to
sharehold-
ers in res-
pect of agri-
cultural in-
come-tax
attributable
to dividends.

14. For section 49B of the Income-tax Act, the following section shall be substituted, namely:—

"49B. Where a company pays to a shareholder any dividend out of its profits and gains which is assessed to agricultural income-tax by any State Government, the shareholder shall be entitled to a reduction from the tax payable by him under this Act, of a sum equal to—

(a) that proportion of the agricultural income-tax (including super-tax, if any) paid by the company as the amount of the dividend attributable to the profits of the company assessed to agricultural income-tax bears to its total profits assessed to agricultural income-tax, reduced by the amount of refund, if any, allowed to him by the State Government; or

(b) where the shareholder—

(i) is not a company, the amount of income-tax (but not super-tax) payable by him under this Act; and

(ii) is a company, 20 per cent.;

on that portion of the dividend which is attributable to the profits of the company assessed to agricultural income-tax; whichever is less."

Omission of
section 49C.

15. Section 49C of the Income-tax Act shall be omitted.

16. In section 51 of the Income-tax Act, in clause (b), the words and figures "or by section 20" shall be omitted. Amendment
of section 51.

17. In section 52 of the Income-tax Act, after the words, brackets and figures "or sub-section (3) of section 33", the words, brackets and figures "or furnishes a certificate under sub-section (9) of section 18" shall be inserted. Amendment
of section 52.

18. In section 58 of the Income-tax Act,—

Amendment
of section 58.

(i) in sub-section (1), the word and figures "and 20" shall be omitted;

(ii) in sub-section (2), the brackets, figure and letter "(3A)," shall be omitted.

19. (1) The amendments to the Income-tax Act made by—

Commence-
ment of the
amendments
to Act II of
1922.

(a) sub-clause (a) of clause (i) of section 3, in so far as it seeks to omit the third proviso to sub-section (1) of section 4 in its application to income chargeable under the head "Salaries";

(b) sub-clause (b) of clause (i) and clause (ii) of section 3; and

(c) clause (i) of section 8;

shall, for the purpose of making any deductions of income-tax and super-tax under sub-section (2) of section 18 of the Income-tax Act, have effect on and from the first day of April, 1959, and for other purposes shall have effect on and from the first day of April, 1960.

(2) The amendments to the Income-tax Act made by section 9, section 10, section 16 and section 18 shall be deemed to have come into force on the first day of April, 1959.

(3) The amendments to the Income-tax Act made by section 5, section 7, clause (ii) of section 8, section 11, section 12, section 13, section 14 and section 15 shall have effect on and from the first day of April, 1960.

(4) Notwithstanding anything contained in sub-section (2) or sub-section (3), in relation to dividends declared or payable by a company in respect of any previous year relevant to any assessment year prior to the assessment year 1960-61, the Income-tax Act shall

have effect as if the amendments contained in section 5, section 7, section 9, section 10, section 14, section 15, section 16 and section 18 had not been made.

Amendment
of section 2.

20. In section 2 of the Wealth-tax Act, 1957 (hereinafter referred to as the Wealth-tax Act), in clause (m), the following amendments shall be made and shall be deemed always to have been made, namely:—

27 of 1957.

(i) in sub-clause (i), the word “and” shall be omitted;

(ii) in sub-clause (ii), the word “and” shall be inserted at the end; and

(iii) after sub-clause (ii), the following sub-clause shall be inserted, namely:—

“(iii) the amount of the tax, penalty or interest payable in consequence of any order passed under or in pursuance of this Act or any law relating to taxation of income or profits, or the Estate Duty Act, 1953, the Expenditure-tax Act, 1957, or the Gift-tax Act, 1958,—

34 of 1953.
29 of 1957.
18 of 1958.

(a) which is outstanding on the valuation date and is claimed by the assessee in appeal, revision or other proceeding as not being payable by him, or

(b) which, although not claimed by the assessee as not being payable by him, is nevertheless outstanding for a period of more than twelve months on the valuation date;”.

Amendment
of Schedule.

21. In the Schedule to the Wealth-tax Act,—

(i) in the rates of tax specified in paragraphs (a) and (b) of Part I, for the figures “ $\frac{1}{2}$ %”, “1%” and “ $1\frac{1}{2}$ %” in both the places where they occur, the figures “1%”, “ $1\frac{1}{2}$ %” and “2%” shall respectively be substituted;

(ii) in Rule 2, for the figures and words “1·5 per cent”, the figure and words “2 per cent” shall be substituted.

Amendment
of section 2.

22. In section 2 of the Expenditure-tax Act, 1957 (hereinafter referred to as the Expenditure-tax Act),—

29 of 1957.

(i) in clause (g), for sub-clause (i), the following sub-clause shall be substituted, namely:—

“(i) where the assessee is an individual, his or her spouse or minor child, and includes any person wholly or mainly dependent on the assessee for support and maintenance;”;

(ii) for clause (n), the following clause shall be substituted, namely:—

‘(n) “previous year”, in relation to any assessment year,—

(a) in the case of an assessee having a source of income, profits or gains in respect of which there is no previous year under the Income-tax Act, means the twelve months ending on the 31st day of March immediately preceding the assessment year;

(b) in the case of an assessee having different previous years under the Income-tax Act for different sources of income, profits or gains, means that previous year of twelve months determined as the previous year under sub-clause (a) of clause (11) (i) of section 2 of the Income-tax Act or such period determined as the previous year under sub-clause (b) of clause (11) (i) of that section, whichever expired last;

(c) in the case of any other assessee, means the previous year as defined in clause (11) of section 2 of the Income-tax Act if an assessment were to be made under that Act for that year;

Provided that where an assessment has been made under this Act for any assessment year in respect of the expenditure incurred by an assessee in the previous year, the meaning of the expression “previous year” as then applicable to him shall continue to apply in respect of any subsequent assessment year unless the assessee is allowed to vary it with the consent of the Expenditure-tax Officer who may, in allowing any such variation, impose such conditions as he may think fit.’

23. In section 3 of the Expenditure-tax Act, for the proviso to sub-section (1), the following shall be substituted, namely:— Amendment
of section 3.

“Provided that no expenditure-tax shall be payable by an assessee for any assessment year if the income from all sources derived by the assessee and his dependants during the previous year as reduced by the amount of taxes to which such income may be liable under any law for the time being in force does not exceed rupees thirty-six thousand.

Explanation.—Income derived by an assessee or any of his dependants shall include—

(i) income which a trustee or any other person receives or is entitled to receive during the previous year on behalf of the assessee or any of his dependants, or both, as the case may be; and

(ii) in the case of an assessee being an individual who is a member of a Hindu undivided family or of any association of persons, any sum in money or money's worth spent or disbursed for the benefit of the assessee or any of his dependants during the previous year from or out of the income or property of the Hindu undivided family or the association, as the case may be.”.

Amendment
of section 4.

24. In section 4 of the Expenditure-tax Act,—

(a) in clause (i), the words “which, but for the expenditure having been incurred by that other person, would have been incurred by the assessee,” shall be omitted;

(b) for clause (ii), the following clause shall be substituted, namely:—

“(ii) where the assessee is an individual, any expenditure incurred by any dependant of the assessee, and where the assessee is a Hindu undivided family, any expenditure incurred by any dependant from or out of any income or property transferred directly or indirectly to the dependant by the assessee.”.

Amendment
of section 5.

25. In section 5 of the Expenditure-tax Act,—

(i) in clause (e), for the words “or in the construction, repair, maintenance or improvement of any immovable property belonging to him”, the words “or in the construction of any building” shall be substituted;

(ii) for clause (f), the following clause shall be substituted, namely:—

“(f) any expenditure incurred by the assessee by way of investment in deposits, loans, shares and securities;”;

(iii) for clause (g), the following clause shall be substituted, namely:—

“(g) any expenditure incurred by the assessee in the purchase of products of any cottage industry in India or any

work of art, where the price of any such article exceeds rupees one thousand, and any expenditure incurred by the assessee in the purchase of books;”.

26. In section 6 of the Expenditure-tax Act, in sub-section (1),— Amendment of section 6.

(i) in clause (a), after sub-clause (ii), the following sub-clause shall be inserted, namely:—

“(iii) taxes paid to a local authority in respect of any property in the occupation of the assessee or any of his dependants or both;”;

(ii) in clause (d), for the words “on the purchase of furniture and other household goods”, the words “on the purchase of bullion, precious stones, jewellery, furniture and other household goods” shall be substituted;

(iii) for clause (h), the following clause shall be substituted, namely :—

“(h) a basic allowance—

(i) where the assessee is an individual, of Rs. 30,000 for himself and all his dependants; and

(ii) where the assessee is a Hindu undivided family, of Rs. 30,000 in respect of the *karta* and his wife and children, and a further allowance of Rs. 3,000 for every additional coparcener:

Provided that the basic allowance for the Hindu undivided family as a whole shall not exceed Rs. 60,000 in any case:

Provided further that the allowance of Rs. 3,000 for any additional co-parcener shall not be allowed where the coparcener is separately assessed under this Act and is entitled to the allowance of Rs. 30,000 under sub-clause (i).”.

18 of 1958.

27. In section 2 of the Gift-tax Act, 1958, in clause (xx),—

Amendment of section 2.

(i) in sub-clause (a), after the words “in the case of an assessee”, the words “having no source of income, profits or gains or” shall be inserted;

(ii) after sub-clause (c), the following provisos shall be inserted, namely:—

‘Provided that where a person who has not been assessed under this Act for any assessment year makes a

gift on a date which does not fall within a previous year as defined in sub-clause (a) or sub-clause (b) or sub-clause (c), the previous year shall be the twelve months ending on the 31st day of March immediately preceding the assessment year:

Provided further that where an assessment has been made under this Act for any assessment year in respect of gifts made by an assessee during any previous year, the meaning of the expression "previous year" as then applicable to him shall continue to apply for any subsequent assessment year unless the assessee is allowed to vary it with the consent of the Gift-tax Officer who may, in allowing any such variation, impose such conditions as he may think fit;.

Amendment
of Act 32 of
1934.

28. The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act), shall be amended in the manner specified in the Second Schedule.

Amendment
of Act I of
1949.

29. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1959", the figures "1960" shall be substituted.

Amendment
of Act I of
1944.

30. In the First Schedule to the Central Excises and Salt Act, 1944,—

(a) in Item No. 8, for the entry in the third column against sub-item (2), the entry "Five rupees and sixty naye paise per cwt." shall be substituted;

(b) in Item No. 9,—

(i) in sub-item I(5), for the description of goods in the second column, the following shall be substituted, namely:—

"if other than flue-cured and not actually used for the manufacture of (a) cigarettes or (b) smoking mixtures for pipes and cigarettes or (c) biris—

(i) stems of tobacco larger than $\frac{1}{4}$ inch in size,

(ii) dust of tobacco,

(iii) granule ('rawa') of tobacco capable of passing through a sieve made of wire not finer than 24 S.W.G. (0.022 inch diameter) and containing not less than 18 uniform circular or square apertures per linear inch,

(iv) tobacco cured in whole leaf form and packed or tied in bundles, hanks or bunches or in the form of twists or coils.

Explanation.—Such varieties of unmanufactured tobacco used in the manufacture of biris as the Central Government, by notification in the Official Gazette, specifies in this behalf shall not be deemed to fall within this sub-item but shall be deemed to be unmanufactured tobacco, not otherwise specified, within the meaning of sub-item (6).”;

(ii) in sub-item II (2), for the entries in the third column against sub-items (vii), (viii) and (ix), the entries “Three rupees and fifteen naye paise”, “Two rupees” and “One rupee and twenty naye paise” shall respectively be substituted;

(c) in Item No. 10, for the entry in the third column against sub-item (1), the entry “40 per cent. *ad valorem*” shall be substituted;

(d) in Item No. 11, for the entry in the third column, the entry “Eight rupees and seventy-five naye paise per cwt.” shall be substituted;

(e) in Item No. 12A, for the entry in the third column, the entry “Six naye paise per square yard” shall be substituted;

(f) in Item No. 24, for the entry in the third column, the entry “Eighty naye paise per imperial gallon” shall be substituted;

(g) in Item No. 25, for the entry in the third column against sub-item (a), the entry “Fifty rupees per ton” shall be substituted.

1 of 1944.
32 of 1934.

31. For the year beginning on the 1st day of April, 1959, no duty under the Central Excises and Salt Act, 1944, or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

Discontinu-
ance of salt
duty.

Declaration under the Provisional Collection of Taxes Act, 1931.

It is hereby declared that it is expedient in the public interest that the provisions of clauses 28, 29 and 30 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

1121 G of I.—3.

THE FIRST SCHEDULE

(See section 2)

PART I

Income-tax and surcharge on income-tax

PARAGRAPH A

(i) In the case of every individual who is married and every Hindu undivided family whose total income does not exceed Rs. 20,000 in either case—

Rates of Income-tax

Where the individual has no child wholly or mainly dependent on him or where the Hindu undivided family has no minor coparcener		Where the individual has one child wholly or mainly dependent on him or where the Hindu undivided family has one minor coparcener		Where the individual has more than one child wholly or mainly dependent on him or where the Hindu undivided family has more than one minor coparcener	
	Rs. 3,000 of total income.		Rs. 3,300 of total income.		Rs. 3,600 of total income.
(1) On the first					<i>Nil</i>
(2) On the next	2,000 „		1,700 „		1,400 „ 3%
(3) On the next	2,500 „		2,500 „		2,500 „ 6%
(4) On the next	2,500 „		2,500 „		2,500 „ 9%
(5) On the next	2,500 „		2,500 „		2,500 „ 11%
(6) On the next	2,500 „		2,500 „		2,500 „ 14%
(7) On the next	5,000 „		5,000 „		5,000 „ 18%

(ii) In the case of every individual who is not married and every individual or Hindu undivided family whose total income in either case exceeds Rs. 20,000 and in the case of every unregistered firm or other association of persons, not being a case to which Paragraph B or Paragraph C or Paragraph D of this Part applies:—

	Rs.	
(1) On the first	1,000 of total income	
(2) On the next	4,000 „	3%
(3) On the next	2,500 „	6%
(4) On the next	2,500 „	9%
(5) On the next	2,500 „	11%
(6) On the next	2,500 „	14%
(7) On the next	5,000 „	18%
(8) On the balance of total income		25%

Provided that for the purposes of this Paragraph—

(i) no income-tax shall be payable on a total income which does not exceed the limit specified below;

(ii) the income-tax payable shall in no case exceed half the amount by which the total income exceeds the said limit;

(iii) the income-tax payable by an individual who is married or a Hindu undivided family whose total income exceeds in either case Rs. 20,000 shall not exceed the aggregate of—

(a) the income-tax which would have been payable if the total income had been Rs. 20,000;

(b) half the amount by which the total income exceeds Rs. 20,000;

The limit aforesaid shall be—

(i) Rs. 6,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following conditions, namely:—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(ii) Rs. 3,000 in every other case.

Surcharges on income-tax

The amount of income-tax computed at the rates hereinbefore specified shall be increased by the aggregate of the surcharges calculated as under:—

(a) A surcharge for purposes of the Union equal to the sum of—

(i) five per cent. of the amount of income-tax; and

(ii) where the earned income included in the total income exceeds Rs. 1,00,000, five per cent. of the difference between the amount of income-tax which would have been payable on the whole of the earned income included in the total income if such earned income had been the total income and the amount of income-tax payable on a total income of Rs. 1,00,000;

(b) A special surcharge on unearned income at fifteen per cent. of the difference between the amount of income-tax on the

total income and the amount of income-tax on the whole of the earned income, if any, included in the total income if such earned income had been the total income:

Provided that—

(i) no surcharge for purposes of the Union shall be payable where the total income does not exceed the limit specified below;

(ii) no special surcharge on unearned income shall be payable in the case of an assessee whose total income does not include any income from dividend on ordinary shares if his total income does not exceed the limit specified below, and where the total income includes any dividends on ordinary shares, such limit shall be increased by Rs. 1,500 or the amount of the said dividends, whichever is less:

Provided further that—

(a) where the total income includes any dividends on ordinary shares, the surcharge for purposes of the Union and the special surcharge on unearned income shall not in each case exceed half the amount by which the total income exceeds the respective limits applicable in either case;

(b) the surcharge for purposes of the Union and the special surcharge on unearned income, both together, shall not exceed half the amount by which the total income exceeds the limit specified below;

The limit aforesaid shall be—

(i) Rs. 15,000 in the case of every Hindu undivided family which satisfies as at the end of the previous year either of the following conditions, namely:—

(a) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(ii) Rs. 7,500 in every other case.

Explanation.—For the purposes of this Paragraph, in the case of every Hindu undivided family governed by the *Mitakshara* law, a son shall be deemed to be entitled to claim partition of the coparcenary property against his father, or grand-father notwithstanding any custom to the contrary.

PARAGRAPH B

In the case of every company and local authority,—

Rate of income-tax

On the whole of the total income	30%
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Surcharge on income-tax

The amount of income-tax computed at the rates hereinbefore specified shall be increased by a surcharge of 5 per cent. thereon.

PARAGRAPH C

In every case in which under the provisions of the Income-tax Act, income-tax is to be charged at the maximum rate,—

Rate of income-tax

On the whole of the total income.	...	25%
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Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge of 20 per cent. thereon.

PARAGRAPH D

In the case of every registered firm,—

Rates of income-tax

(1) On the first Rs. 40,000 of total income	..	Nil
(2) On the next Rs. 35,000 of total income	...	5%
(3) On the next Rs. 75,000 of total income	.	6%
(4) On the balance of total income	..	9%

PART II

Super-tax and surcharge on super-tax

PARAGRAPH A

In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which any other Paragraph of this Part applies,—

Rates of super-tax

(1) On the first Rs. 20,000 of total income	..	Nil
(2) On the next Rs. 5,000 of total income		5%
(3) On the next Rs. 5,000 of total income	..	15%
(4) On the next Rs. 10,000 of total income	...	20%
(5) On the next Rs. 10,000 of total income	...	30%
(6) On the next Rs. 10,000 of total income	...	35%
(7) On the next Rs. 10,000 of total income	...	40%
(8) On the balance of total income	...	45%

Surcharges on super-tax

The amount of super-tax computed at the rates hereinbefore specified shall be increased by the aggregate of the surcharges calculated as under:—

(a) A surcharge for purposes of the Union equal to the sum of—

(i) five per cent. of the amount of super-tax; and

(ii) where the earned income included in the total income exceeds Rs. 1,00,000, five per cent. of the difference between the amount of super-tax which would have been payable on the whole of the earned income included in the total income, if such earned income had been the total income and the amount of super-tax payable on a total income of Rs. 1,00,000;

(b) A special surcharge on unearned income at fifteen per cent. of the difference between the amount of super-tax on the total income and the amount of super-tax on the whole of the earned income, if any, included in the total income, if such earned income had been the total income.

PARAGRAPH B

In the case of every local authority,—

Rate of super-tax

On the whole of the total income	...	16%
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Surcharge on super-tax

The amount of super-tax computed at the rates hereinbefore specified shall be increased by a surcharge of 12½ per cent. thereon.

PARAGRAPH C

In the case of every association of persons being a co-operative society as defined in clause (5B) of section 2 of the Income-tax Act,—

Rates of super-tax

(1) On the first Rs. 25,000 of total income	..	Nil
(2) On the balance of total income	...	16%

Surcharge on super-tax

The amount of super-tax computed at the rates hereinbefore specified shall be increased by a surcharge of 12½ per cent. thereon.

PARAGRAPH D

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,—

Rate of super-tax

On the whole of its profits and gains from life insurance business.	...	11%
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In the case of every other company,—

Rates of super-tax

On the whole of the total income ... 50% :

Provided that,—

(i) a rebate at the rate of 40 per cent. on so much of the total income as consists of dividends from a subsidiary Indian company and a rebate at the rate of 35 per cent. on the balance of the total income shall be allowed in the case of any company which—

(a) in respect of its profits liable to tax under the Income-tax Act for the year ending on the 31st day of March, 1960, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such profits and for the deduction of super-tax from dividends in accordance with the provisions of sub-section (3D) of section 18 of that Act; and

(b) is such a company as is referred to in sub-section (9) of section 23A of the Income-tax Act with a total income not exceeding Rs. 25,000;

(ii) a rebate at the rate of 40 per cent. on so much of the total income as consists of dividends from a subsidiary Indian company and a rebate at the rate of 30% on the balance of the total income shall be allowed in the case of any company which satisfies condition (a) but not condition (b) of the preceding clause;

(iii) a rebate at the rate of 40% on so much of the total income as consists of dividends from a subsidiary Indian company and a rebate at the rate of 20% on the balance of the total income shall be allowed in the case of any company not entitled to a rebate under either of the preceding clauses:

Provided further that,—

(i) the amount of the rebate under clause (i) or clause (ii) shall be reduced by the sum, if any, equal to the amount or the aggregate of the amounts, as the case may be, computed as hereunder:—

<p>(a) on that part of the aggregate of the sums arrived at in accordance with clause (i) of the second proviso to Paragraph D of Part II of the First Schedule to the Finance Act, 1958, as has not been deemed to have been taken into account, in accordance with clause (ii) of the said proviso, for the purpose of reducing the rebate mentioned in clause (i) of the said proviso to <i>nil</i>;</p>	<p>The whole amount of such part.</p>
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- (b) on the amount representing the face value of any bonus shares or the amount of any bonus issued to its shareholders during the previous year with a view to increasing the paid-up capital except to the extent to which such bonus shares or bonus have been issued out of premiums received in cash on the issue of its shares; and at the rate of 30%
- (c) in addition, in the case of a company referred to in clause (ii) of the preceding proviso which has distributed to its shareholders during the previous year dividends in excess of six per cent. of its paid-up capital, not being dividends payable at a fixed rate—
- (A) in the case of a company which is not such as is referred to in sub-section (9) of section 23A of the Income-tax Act—
- on that part of the said dividends which exceeds 6 per cent. but does not exceed 10 per cent. of the paid-up capital; at the rate of 10%
- on that part of the said dividends which exceeds 10 per cent. of the paid-up capital; at the rate of 20%

and

- (B) in the case of any other company—
- on that part of the said dividends which exceeds 6 per cent. but does not exceed 10 per cent. of the paid-up capital; at the rate of 10%
- on that part of the said dividends which exceeds 10 per cent. but does not exceed 18 per cent. of the paid-up capital; at the rate of 20%
- on that part of the said dividends which exceeds 18 per cent. of the paid-up capital; at the rate of 30%

(ii) where the sum arrived at in accordance with clause (i) of this proviso exceeds the amount of the rebate arrived at in accordance with clause (i) or clause (ii), as the case may be, of the preceding proviso, only so much of the amounts of reduction mentioned in sub-clauses (a), (b) and (c) of clause (i) of this proviso as is sufficient, in that order, to reduce the rebate to nil shall be deemed to have been taken into account for the purpose:

Provided further that the super tax payable by a company, the total income of which exceeds rupees twenty-five thousand shall not exceed the aggregate of—

(a) the super-tax which would have been payable by the company if its total income had been rupees twenty-five thousand, and

(b) half the amount by which its total income exceeds rupees twenty-five thousand.

Explanation.—For the purposes of this Paragraph,—

(i) the expression “paid-up capital” means the paid-up capital (other than capital entitled to a dividend at a fixed rate) of the company as on the first day of the previous year relevant to the assessment for the year ending on the 31st day of March

1960, increased by any premiums received in cash by the company on the issue of its shares, standing to the credit of the share premium account as on the first day of the previous year aforesaid;

(ii) the expression "dividend" shall be deemed to include any distribution included in the expression "dividend" as defined in clause (6A) of section 2 of the Income-tax Act;

(iii) where any portion of the profits and gains of the company is not included in its total income by reason of such portion being exempt from tax under any provision of the Income-tax Act, the "paid-up capital" of the company, the amount distributed as dividends (not being dividends payable at a fixed rate), the amount representing the face value of any bonus shares and the amount of any bonus issued to the share-holders shall each be deemed to be such proportion thereof as the total income of the company for the previous year bears to its total profits and gains for that year other than capital receipts, reduced by such allowances as may be admissible under the Income-tax Act which have not been taken into account by the company in its profit and loss account for that year.

PART III

Rates for deduction of tax under section 18 of the Income-tax Act at the prescribed rates

In every case in which under the provisions of section 18 of the Income-tax Act tax is to be deducted at the prescribed rates, deduction shall be made from the income subject to deduction at the following rates:—

	Income-tax		Super-tax	
	Rate of Income-tax	Rate of Surcharge	Rate of Super-tax	Rate of Surcharge
1. In the case of a person other than a company—				
(a) in every case, on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free), and	25%	5%		
(b) in addition, where the person is one whom the person responsible for paying the income has no reason to believe to be resident in the taxable territories, on the whole income.			Super-tax and surcharge on super-tax in accordance with the provisions of clause (b) of sub-section (1) of section 17 of the Income-tax Act.	

	Rate of Income- tax	Rate of Super-tax
2. In the case of a company—		
(a) in every case—		
(i) on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free) ; and	20%	
(ii) on the whole income (excluding dividends payable by an Indian company referred to in section 56A of the Income-tax Act); and		10%
(b) in addition,—		
(i) where the company is an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India, on the whole income (excluding dividends payable by its subsidiary Indian company, if any, or by an Indian company referred to in section 56A of the Income-tax Act) .		15%
(ii) where the company is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India, on the whole income (excluding dividends payable by its subsidiary Indian company, if any, or by an Indian company referred to in section 56A of the Income-tax Act)		33%

THE SECOND SCHEDULE

(See section 28)

In the First Schedule to the Tariff Act,—

(i) in Item No. 29, for the existing entry in the fourth column, the entry "Rs. 2 per 100 linear feet" shall be substituted;

(ii) for Item No. 39(1), the following Items shall be substituted, namely:—

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	A British Colony	
1	2	3	4	5	6	7
"39(1)	Rubber manufactures, not otherwise specified, excluding apparel.	Revenue	35 per cent. <i>ad valorem</i>
39(2)	Rubber tyres and tubes for motor vehicles.	Revenue	40 per cent. <i>ad valorem</i>
39(3)	Rubber tyres and tubes not otherwise specified.	Revenue	35 per cent. <i>ad valorem</i>"

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to give effect to the financial proposals of the Central Government for the next financial year and to provide for certain connected matters. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;

MORARJI DESAI.

The 28th February, 1959.

Notes on clauses

Clause 2 continues for the financial year 1959-60 the rates of income-tax and super-tax prescribed by the Finance Act, 1958, and prescribes the rates for deduction of tax at source from interest on securities, dividends, etc., and also the rates for advance payment of tax by companies during the financial year 1959-60.

Clause 3 makes the following amendments in section 4:—

Sub-clause (i) (a) withdraws the exemption up to Rs. 4,500 allowable to taxpayers resident in India in respect of their unremitted foreign income.

Sub-clause (i) (b) has the effect of bringing under taxation salaries paid by Government to its officers serving abroad.

Sub-clause (ii) clarifies the extent to which exemption from tax is available to the officials of the foreign diplomatic missions in India and their staff, and also makes a change consequential upon the amendment made by sub-clause (i)(b).

Clause 4 makes the following amendments in section 10:—

Sub-clause (i) enables certain specified allowances to be granted in pursuance of agreements entered into by the Central Government with concerns engaged in the exploration for and production of mineral oil in association with the Government.

Sub-clause (ii) abolishes the scheme of compulsory deposit for companies introduced by the Finance (No. 3) Act, 1956, and held in abeyance since 1st April, 1958.

Clause 5 makes a clarificatory amendment to section 12, consequential upon the omission of section 16(2) by clause 7, and provides that dividends declared by companies will be treated as the income of the shareholders in the previous year in which they are declared.

Clause 6 amends section 15C with retrospective effect to clarify that the exemption is not available to undertakings set up with buildings, plant and machinery which were previously used in any other business.

Clause 7 deletes sub-section (2) of section 16, thereby abolishing the scheme of grossing up of dividends in the assessment of shareholders of companies consistently with the changes proposed by clauses 9 and 14.

Clause 8 makes the following two amendments to section 17:—

Sub-clause (i) provides that Government servants posted for service abroad, who will become liable to tax hereafter on the salaries drawn by them abroad, will be charged to tax at the rates applicable to their total world income, and not at the flat rates normally applicable to non-resident taxpayers.

Sub-clause (ii) provides for the levy of tax on capital gains of companies at a total flat rate of 30 per cent. (10 per cent. super-tax in addition to 20 per cent. income-tax) against the existing rate of 30 per cent. income-tax and 1.5 per cent. surcharge thereon.

Clause 9 makes the following amendments to section 18 which deals with deduction of tax at source by persons responsible for making payments of certain kinds of income:—

Sub-clauses (i), (ii) and (iii) make formal amendments to sections 18(2B), (3A) and (3B) relating to deduction of tax at source on salary payments to non-residents and interest on securities and other sums, so as to make these provisions simpler and uniform.

Sub-clause (iv) amends section 18(3D). At present, companies are not required to deduct income-tax on payments of dividends to shareholders as the shareholders are deemed to have paid income-tax through the companies. By this amendment, income-tax has to be deducted at prescribed rates on all dividend distributions. The existing provision for deduction of super-tax on dividends paid to non-resident shareholders will, however, continue to operate.

Sub-clauses (v) to (vii) formally amend certain other provisions of section 18 consequential upon the amendments referred to above.

Sub-clause (viii) inserts two new sub-sections in section 18 in order—

(a) to obviate deduction of tax on dividends which are payable on shares held by Government; and

(b) to clarify that the rates for deduction in all cases will be the rates specified in the Finance Act for the purpose from year to year.

The rates for deduction of tax during the financial year 1959-60 on interest on securities, dividends and other sums, which vary according as the recipient is a company or not a company and whether

resident or not resident in India are specified in Part III of the Schedule to the Bill.

Clause 10 omits section 20 which provides for the issue of a certificate to the shareholders receiving dividends as, in view of the changes proposed by clause 9, the certificate provided under section 18 for tax deductions will cover dividends also.

Clause 11 refixes the percentages for minimum distribution of dividends prescribed under section 23A for certain companies, consistently with the changes proposed in company taxation, so that the companies can continue to retain the same amount of net profits which they could have retained under the existing law without being subjected to the penal tax under that section.

Clause 12 makes a formal amendment to section 23B consequential upon the abolition of tax credit to the shareholders on their dividend income proposed by clause 9.

Clause 13 makes the following amendments to section 35:—

Sub-clause (i) makes section 35(9) inapplicable to dividends payable in respect of any previous year relevant to any year after the assessment year 1959-60, as the provision for recovery of refunds granted to shareholders in respect of dividends in cases where the company fails to pay up its tax will no longer be necessary in view of the changes proposed by clauses 7, 9 and 14.

Sub-clause (ii) makes the provision relating to recovery of rebates of income-tax granted to companies on their undistributed profits prior to 1956-57 inapplicable after the system of grossing of dividends is abolished.

Clause 14 amends section 49B, so as—

(i) to abolish, consistently with the changes proposed by clauses 7 and 9, the legal fiction in the existing scheme under which a shareholder is deemed to have paid income-tax on dividends received by him from a company, and

(ii) to retain in a suitably modified form the existing provision for adjustment of any agricultural income-tax paid by the company in the assessment of the shareholder receiving dividends from out of agricultural profits of the company.

Clause 15 omits section 49C dealing with adjustment of double taxation relief obtained by a company in the assessment of shareholders, which will become unnecessary on the abolition of grossing of dividends.

Clause 16 makes a formal amendment to section 51 consequential upon the omission of section 20.

Clause 17 amends section 52 to penalise the furnishing of false tax deduction certificates in the case of dividends and other incomes on which tax is to be deducted at source.

Clause 18 makes formal amendments to section 58 consequential on the omission of section 20.

Clause 19 contains formal provisions with respect to the commencement of the various provisions in this Bill relating to income-tax.

Clause 20 amends section 2 of the Wealth-tax Act, 1957, with retrospective effect to make it clear that taxes which are disputed and taxes which are in arrears for more than a year are not to be deducted as debts in the computation of the net wealth of an assessee.

Clause 21 enhances from 1st April, 1959, the rates of wealth-tax in the case of individuals and Hindu undivided families.

Clause 22 amends section 2 of the Expenditure-tax Act, 1957.

Sub-clause (i) seeks to make it clear that the requirement that a person should be wholly or mainly dependent on the assessee for support and maintenance for the purpose of being a dependent has no application in relation to a spouse or minor child.

Sub-clause (ii) clarifies the meaning of the expression "previous year".

Clause 23 amends section 3 of the Expenditure-tax Act, 1957, in order to secure that for computing the income of the assessee during a previous year, income received for the benefit of the assessee or any of his dependants or both during that year is taken into account. Similarly it is sought to provide that where the assessee is a member of a Hindu undivided family or any other association of persons, any expenditure incurred for his benefit or for the benefit of any of his dependants from and out of the property or income of the family or association, as the case may be, is treated as his income.

Clause 24 amends section 4 of the Expenditure-tax Act, 1957.

Sub-clause (i) omits certain words from clause (i) of section 4 which appear to be unnecessary.

Sub-clause (ii) makes it clear that expenditure incurred by any dependant of the assessee (including, in the case of a Hindu undivided family, expenditure incurred by any member of the family from and out of the property or income of the family) is included in the taxable expenditure of the assessee.

Clause 25 amends section 5 of the Expenditure-tax Act, 1957.

Sub-clause (i) removes an exemption allowed in the case of certain expenditure in relation to owner-occupied properties because the expenditure in such cases is really in the nature of personal expenditure.

Sub-clause (ii) omits from section 5 (f) references to bullion, precious stones and jewellery as they are now being included in section 6(1) (d).

Sub-clause (iii) amends section 5(g) so as to restrict the exemption to purchases of the more valuable products of cottage industry and works of art.

Clause 26 amends section 6 of the Expenditure-tax Act, 1957.

Sub-clause (i) provides that municipal taxes in respect of owner-occupied properties are not to be deducted in computing the taxable expenditure.

Sub-clause (ii) amends section 6(1)(d) so that bullion, precious stones and jewellery are treated in the same manner as furniture and other household goods.

Sub-clause (iii) amends section 6(1) (h) so as to make it clear that the allowance of Rs. 3,000 for a co-parcener is not allowed to him again where he is separately assessed and is entitled to the allowance of Rs. 30,000 under section 6(1) (h) (i).

Clause 27 amends section 2 of the Gift-tax Act, 1958, in order to clarify the meaning of the expression "previous year".

Clause 28, read with the Second Schedule, proposes certain changes in the Import Tariff:—

(a) The rate of duty of Rs. 1·75 per 100 linear feet on un-exposed cinematograph films is proposed to be changed to Rs. 2·00 per 100 linear feet. The change is necessary to provide funds for the Film Finance Corporation.

(b) Item 39(1) of the Indian Tariff Act is being split up so as to provide for an increased rate of duty, equal to the excise duty, on tyres and tubes for motor vehicles only.

Clause 29 seeks to maintain for another year the *status quo* in regard to commitments under the General Agreement on Tariffs and Trade.

Clause 30—

Sub-clause (a) proposes an increase in the excise duty on khandsari sugar from Rs. 0-8-0 per cwt. to Rs. 5-60 per cwt.

Sub-clause (b) (i) seeks to make certain clarificatory amendments in sub-item I(5) of Item No. 9 relating to unmanufactured tobacco.

Sub-clause (b) (ii) proposes an increase in the excise duty on certain categories of cigarettes.

Sub-clause (c) proposes an increase in the excise duty on motor tyres from 30 per cent. *ad valorem* to 40 per cent. *ad valorem*.

Sub-clause (d) proposes an increase in the excise duty on vegetable product from Rs. 7-00 per cwt. to Rs. 8-75 per cwt.

Sub-clause (e) proposes an increase in the excise duty on art silk fabrics from Rs. 0-0-6 per sq. yd. to 6 naye paise per sq. yd.

Sub-clause (f) proposes an increase in the excise duty on refined diesel oils and vaporising oil from 40 naye paise per imperial gallon to 80 naye paise per imperial gallon.

Sub-clause (g) proposes an increase in the excise duty on diesel oil, not otherwise specified, from Rs. 40-00 per ton to Rs. 50-00 per ton.

Clause 31, like section 18 of the Finance Act, 1958, provides that salt shall be duty free for another year.

FINANCIAL MEMORANDUM

The Bill seeks to levy a basic excise duty of Rs. 5·60 per cwt on khandsari sugar. Though the Central Excise Tariff provided for an excise duty of Rs. 0-8-0 per cwt., this duty was withdrawn by notification, with effect from 19-7-1952. With the re-imposition of the excise duty at a higher level all the khandsari sugar factories will have to be brought under excise control. This will necessitate the employment of some additional staff. The increase in staff together with incidental expenses of administration, is estimated to cost Rs 2 67 lakhs.

I—VOLUME OF WORK

There are about 800 khandsari sugar factories which are now to be brought under excise control.

II.—REQUIREMENT OF PERSONNEL AND FINANCE

<i>A.—Officers—</i>		No. Annual emolument—		Cost Rs.
No. of Superintendents	1	1	6,720	=6,720
<i>B.—Staff—</i>				
No. of Deputy Superintendents	8	8	4,800	=38,400
No. of Inspectors	22	22	2,820	=62,040
No. of Sub-Inspectors	44	44	1,884	=82,896
No. of Head-clerks	1	1	3,575	=3,575
No. of U D. Cs.	2	2	2,568	=5,136
No. of L. D. Cs.	3	3	1,884	=5,652
No. of Steno-typists	1	1	2,124	=2,124
<i>C.—Incidental expenses—</i>				
Incidental expenses including Class IV staff, contingencies, etc.				=60,000
TOTAL				=2,66,544
or Rs. 2·67 lakhs.				

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 9(iv) of the Bill, read with section 59 of the Income-tax Act, provides for rules being made with respect to the grant of certificates to shareholders of companies who are not liable to income-tax, in order to enable them to obtain their dividends without deduction of tax. The rule-making power is of a normal character.

M. N. KAUL,
Secretary.

